

DE 00-087

GRANITE STATE ELECTRIC COMPANY

Revised Default Service Rates for May 1, 2000
through October 31, 2000

Order Approving Default Service Rates

O R D E R N O. 23,523

July 5, 2000

APPEARANCES: Gallagher, Callahan & Gartrell by Seth L. Shortlidge, Esq. and Carlos A. Gavilondo, Esq. for Granite State Electric Company, Michael Holmes, Esq. for the Office of Consumer Advocate, and Lynmarie Cusack for the Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY

On April 17, 2000, Granite State Electric Company (GSEC or the Company) filed with the Commission a petition to set the Company's revised Default Service rate for the period May 1, 2000 to October 31, 2000 along with supporting testimony and exhibits. Included in the testimony is a description of how the Company proposes to procure Default and Transition Service 2 for this period. On May 1, 2000 the Commission issued Order No. 23,453, which approved the Default Service rates as filed subject to reconciliation based upon the outcome of a full hearing scheduled for June 6, 2000. After several schedules changes, a hearing was held on June 15, 2000. No petitions for intervention were received. On June 22, 2000 the Company filed a Motion for Confidential

Treatment of the response to Record Request 1 along with responses to Record Requests 1-5.

II. POSITIONS OF THE PARTIES AND STAFF

Granite State Electric Company

The Company presented the testimony of Mr. Michael J. Hager, Standard Offer Portfolio Manager for New England Power Service Company. Mr. Peter T. Zschokke, Vice-President and Director of Distribution Financial Analysis for National Grid USA Service Corp., was also sworn and made available for questioning related to rate implementation. Mr. Hager updated his testimony by informing the Commission that the Company had fixed a portion of its July and August Default Service price by procuring 100 megawatts of National Grid USA's total load requirements. According to Mr. Hager, National Grid USA's total load requirements for GSEC, Massachusetts Electric Company and Narragansett Electric Company are approximately 200 megawatts of peak load and 500 megawatts of baseload. The Company requested that the Commission reaffirm its original order, Order No. 23,453, which ordered fixed Default Service rates for May at \$0.038 per kilowatt-hour, June at \$0.065 per kilowatt-hour, September at \$0.040 per kilowatt-hour, October at \$0.036 per kilowatt-hour and allowed the price for July and August to float with the spot market.

Office of Consumer Advocate

The OCA did not present testimony but questioned the Company extensively on its Summer 2000 temporary interruptible load program. Mr. Holmes stressed the point that while large industrial customers are eligible for the summer interruptible program, no such program currently exists for residential customers. In addition, no direct monetary benefits flow to the residential class from the interruptible program.

Commission Staff

The Staff did not present testimony but cross examined the Company witnesses on the current and expected GSEC Default and Transition Service 2 load, the sources available to procure this power, the current and expected under-collections due to transition Service 2, hedging arrangements, and the status of the forward market for summer 2000 energy. Mr. Hager clarified that Transition Service 2 power is being procured through the same means as Default Service power. If Transition Service 2 is purchased on the wholesale market at a price greater than Transition Service 1, that difference is recorded in an underrecovery account which is subject to reconciliation. Mr. Zschokke testified that the Transition Service 2 under-collection through April of 2000 is approximately \$211,000. He estimates the under-collection to

grow to \$1.3 million by the end of October 2000. This would result in a reconciling factor of approximately \$0.00172 per kilowatt-hour for all GSEC customers in year 2001.

III. COMMISSION ANALYSIS

Following review of the completed casefile, we are satisfied with our initial ruling to allow the Company to revise its Default Service rates as filed on April 17, 2000. Our approval of the Default Service rates for this period does not take the place of a prudence review for recovery of the Transition Service 2 under-recovery. We will examine the prudence of the Transition Service 2 power contracts in a separate proceeding if the Company files to recover those costs.

Based upon the foregoing, it is hereby

ORDERED, that the retail rate for Default Service is reaffirmed to be \$0.065 per kilowatt-hour for June 2000, \$0.040 per kilowatt-hour for September, 2000, and \$0.036 per kilowatt-hour for October 2000; and it is

FURTHER ORDERED, that the Default Service rate for July and August shall be based upon the floating spot market price and/or any hedge agreements entered into to procure Default Service for Granite State.

By order of the Public Utilities Commission of New
Hampshire this fifth day of July, 2000.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary